

Toward a Theory of Transformative Entrepreneurship: Poverty Reduction and Conflict Resolution in Rwanda's Entrepreneurial Coffee Sector

Jutta M. Tobias ^{a, *}, Johanna Mair ^b, Celestina Barbosa-Leiker ^c

Accepted for Publication at Journal of Business Venturing (2013)

<http://dx.doi.org/10.1016/j.jbusvent.2013.03.003>

^a *Cranfield University, School of Management, Cranfield, Bedford, England MK43 0AL, United Kingdom. Tel.: +44 (0)1234 751122 ext 3139.*

^b *Hertie School of Governance, Friedrichstraße 180, 10117 Berlin, Germany. Tel.: +49 (0)30 259219304.*

^c *Washington State University, College of Nursing, P.O. Box 1495, Spokane, WA 99210-1495, USA. Tel.: +1 509 3247477.*

Keywords: Social Entrepreneurship, Entrepreneurship, Poverty, Conflict, Rwanda.

* We thank Karol Boudreaux who provided the inspiration as well as ongoing support for this study, and acknowledge George Mason University's Mercatus Center for its financial support to conduct the field survey in Rwanda. We are also grateful to Craig Parks, Martha Cottam, Jerman Rose, Ervin Staub, Phuong Pham, and Joe de Rivera for their advice during the design of the field survey, and to Tim Schilling, Albert Nsengiyumva, Rama Rao, and Gerald Rwagasana for their invaluable counsel in Rwanda. A special thank you goes to Roy Suddaby for his very helpful suggestions. We also thank Keith Goffin, David Buchanan, and Mark Jenkins as well as the guest editors of this Special Issue and two anonymous reviewers for their insightful comments on earlier versions of this paper.

Corresponding author. Tel.: +44 (0) 1234 751122 ext 3139; fax: +44 (0) 1234 754332.

E-mail addresses: jutta.tobias@cranfield.ac.uk (J. M. Tobias), mair@hertie-school.org (J. Mair),

celestina@wsu.edu (C. Barbosa-Leiker).

“I’m no longer a Hutu. I’m a specialty coffee farmer.”
Jean de Dieu, 56, coffee farmer, Nyakizu, southern Rwanda.

Abstract

This study illustrates how entrepreneurship may catalyze prosperity as well as peace in entrenched poverty-conflict zones. We bring to life a conceptualization of transformative entrepreneuring by assessing interrelationships between poverty and conflict indicators from the perspective of rural dwellers in Rwanda’s entrepreneurial coffee sector. Our findings suggest that individuals’ perceptions of poverty alleviation and conflict reduction are sequentially linked, notably via increased quality of life. This enables us to advance theory on *entrepreneuring* by unpacking the mechanisms through which entrepreneurial processes may transform the lives of such ‘ordinary’ entrepreneurs in settings where economic and social value creation are desperately needed.

1. Executive summary

This is a study about “entrepreneuring”, understood as the processes through which entrepreneurial individuals and groups remove economic and social constraints, and thus create new possibilities for themselves and others within society (Rindova et al., 2009; Steyaert, 2007). Entrepreneuring is a pertinent concept to depict processes and mechanisms that a variety of entrepreneurial actors engage in to generate value and wealth. Transformative entrepreneuring, which we define as the process of addressing and ultimately transforming conditions of protracted socioeconomic constraint through entrepreneurship, necessitates distributed agency (Mair et al., 2012). The dynamics of transformative entrepreneuring hence reflect the activities of policy makers and traditional business entrepreneurs who *create* entrepreneurial opportunities – as well as the experiences of

individuals who *benefit from* and exploit these opportunities. It is this latter group of individuals, labeled in this paper as ‘ordinary’ entrepreneurs, who perpetuate and enact economic and social value generation through entrepreneuring.

The mechanisms involved in entrepreneuring trigger economic and social change processes that represent the “transformative potential” of entrepreneurship (Venkataraman, 2004). Yet we know little about what exactly makes entrepreneuring transformative. To address this lacuna, we examine two particular mechanisms and their interrelationships: poverty reduction and conflict resolution. Both are meaningful representations of the transformative potential of entrepreneuring in generating socioeconomic progress. We investigate these mechanisms in a setting where transformative entrepreneuring is not only urgently needed, but also where entrepreneurship recently seems to have contributed to both economic and social value generation: rural Rwanda’s specialty coffee sector. We chose Rwanda’s specialty coffee industry as the setting for the present field study for two reasons. First, Rwanda is a developing country with a particularly pronounced recent history of ethnic conflict resulting in mass violence. Second, over the last decade the Rwandan government has promoted entrepreneurship through a sweeping set of industry liberalizations, including the liberalization of one of its pivotal cash crop industries, the coffee sector. As a consequence, ‘ordinary’ individuals benefitting from these policy reforms, such as coffee farmers, have become involved in entrepreneuring. This is because some of these farmers have been able to produce higher-value, “specialty” coffee, enjoying substantially higher incomes than before *as well as* experiencing less interethnic conflict (Boudreaux, 2007).

In this study we focus on these ordinary entrepreneurial actors, and investigate the transformative effect unleashed through entrepreneuring by unpacking the linkages between poverty reduction and conflict resolution. The empirical question we address is: How do perceptions of poverty reduction relate to perceptions of conflict resolution among coffee

farmers in Rwanda's entrepreneurial specialty coffee sector. We develop and empirically examine a theoretical framework of the constitutive elements of transformative entrepreneuring in entrenched poverty-conflict zones, arguing that a meaningful account of poverty reduction and conflict resolution from the perspective of individuals involved provides the on the ground experience that brings this conceptualization to life. This enables us to contribute to theory-building on entrepreneuring in three main ways.

First, we illustrate *how* economic and social value creation mechanisms relevant for transformative entrepreneuring are intertwined. More specifically, we show that these mechanisms are sequential (suggesting that economic dynamics precede social ones), and that perceptions of increased quality of life may serve as an important mediator in this relationship. Second, we advocate a theoretical rethink about the role of intentions in social entrepreneurship: our findings indicate that a deliberate intention to transform and emancipate – advocated as *the* distinctive feature of social entrepreneurship (Rindova et al., 2009) – may not always be necessary to facilitate profound social change through entrepreneurship.

Finally, we pioneer an empirical shift away from studying individuals or organizations that catalyze social value through social entrepreneurship, and toward those individuals who to date have been largely ignored in this literature: 'ordinary' entrepreneurial protagonists. These are people such as the coffee farmers in this study, who have recently become able to add new products and processes to their value chain because other entrepreneurs (those traditionally associated with economic and social value generation) have created the enabling infrastructure for this, for example business entrepreneurs building coffee processing and distribution operations or social entrepreneurs starting coffee cooperatives. It is these people, we argue, that make social change through entrepreneurship sustainable.

2. Introduction

2.1 Entrepreneurship, Peace, and Prosperity

Ever since Schumpeter put the entrepreneur at the center of progress, scholars have highlighted the transformational role that entrepreneurship plays in generating economic and social wealth (Drucker, 1985; Hitt et al., 2011; Sen, 2000; Venkataraman, 2004). Similarly entrepreneurship may be an important factor in helping generate *peace through commerce* (Williams, 2008; Wilson & Wilson, 2006; World Bank 2011). This conflict easing aspect of entrepreneurship may thus be particularly pertinent for the world's "bottom billion", those living in persistently stagnant or failing economies, most of whom are currently or have recently been involved in a civil war (Collier, 2007) or are prone to renewed outbursts of terrorism or mass violence (Collier et al., 2006). Therefore, the transformative impact of entrepreneurship may not only consist in helping the world's most poverty-stricken individuals generate more wealth, but also help them escape from the poverty-conflict trap (Collier, 2007) that keeps them stuck at the bottom of the global income ladder.

Yet the transformative potential of entrepreneurship to alleviate poverty and to resolve conflict is typically not examined simultaneously in the entrepreneurship literature. Furthermore, little empirical evidence exists about how business can be part of the solution for the world's poorest citizens (Bruton, 2010), and in particular about what micro-level processes help ventures succeed in economic development settings (Honig, 1998) and in conflict zones (Honig, 2001). Still less is known about the mechanisms involved in the pro-peace role that entrepreneurship may play in conflict-affected societies (Abdelnour & Branzei, 2010; Williams, 2008). This is lamentable, because a better understanding of how entrepreneurship may help change the lives of people who live in persistent poverty zones is

likely to make a particularly important contribution to theory and practice (Bruton et al., 2008).

2.2 Entrepreneurship and Social Change

The study of entrepreneurship as a catalyst for economic as well as social change, often labeled social entrepreneurship, is gaining momentum as an area of scholarly investigation (Dacin et al, 2011; Mair & Marti, 2006; Short et al., 2009). Researchers have been particularly interested in how market-based methods can be used to resolve entrenched social problems, such as persistent poverty, and generate social as well as economic value (Miller et al., 2012). Extant research has focused on how entrepreneurs combine resources (Meyskens et al., 2010), develop original business models alone or in collaboration (Seelos & Mair, 2005; 2007; Webb et al, 2010), face institutional challenges (Kistruck et al, 2011), and alter existing institutional arrangements (Mair & Marti, 2009) in order to generate positive social change. In addition, researchers have debated differences in entrepreneurship pursuing social objectives across geographic contexts (Kerlin, 2010; Zahra et al., 2008) and become more inclusive to the types of actors and contexts studied (e.g. Harris et al., 2009; van de Ven et al., 2007).

Yet while many argue that entrepreneurship plays a central role in societal transformation, we still have limited knowledge about precisely *if* and most importantly *how* the transformative potential of entrepreneurship “will save the day” (Hall et al., 2010, 441). In other words, we have a fragmented understanding of the processes through which entrepreneurship may help produce social change and at the same time create economic wealth. Despite an increasing consensus that the local context or micro-level dynamics play a key role in shaping the social value creation aspect of entrepreneurship (Alvord et al., 2004; Peredo & Chrisman, 2006; Short et al., 2009), surprisingly little is known about the actual mechanisms that may enable

entrepreneurship to address persistent social problems or alter the socioeconomic realities that may have contributed to creating these societal problems in the first place (Hoogendoorn et al., 2010).

2.3. Entrepreneurship through the Eyes of ‘Ordinary’ Entrepreneurial Actors

Entrepreneurship, a process theory of entrepreneurship, encourages scholars to focus on the inherently dynamic, change-oriented nature of entrepreneurship (Rindova et al., 2009). Process research helps us situate phenomena in space and time and thereby better understand why and how change occurs (Langley et al., 2013). Such a process lens lends itself in particular to examining entrepreneurship as a highly contextual web of social mechanisms involving numerous entrepreneurial actors (Jennings et al., 2013). Entrepreneurship puts entrepreneurial *actions* into the foreground. These actions are intent on changing the status quo, rather than focusing on the (more static) *attributes* of entrepreneurs or their ventures (Steyaert, 2007). Moreover, the actions involved in entrepreneurship are not only transformative in their underlying ambition, but also “emancipatory” in nature; empowering entrepreneurial individuals or groups to liberate themselves from their existing position within a socioeconomic power structure (Rindova et al., 2009).

An entrepreneurship lens enables scholars to gain new insights into the transformative processes unleashed by entrepreneurship in the context of desperate poverty and entrenched conflict. Yet it is critical to expand the scope of actors considered in the empirical analysis in order to harness the possibilities offered by this approach. Existing social entrepreneurship research has focused to a large extent on social value and social change generated by ‘heroic’ individual entrepreneurs or dynamic Non-Governmental Organizations (NGOs) and government agencies (Dacin et al., 2011; Rindova et al., 2009; Short et al., 2009). In a way this is not surprising since the data collection process is not only easier but often actively

facilitated by the entrepreneurial protagonists, i.e., 1) social entrepreneurs interested in promoting their initiative in order to attract (tangible and intangible) resources, 2) NGO spokespeople who compete for attention with other NGOs, or 3) governments that are keen on validating their initiatives. As a result we lack empirical and theoretical insights on how the transformative process of entrepreneurship touches the lives of those who are suffering from desperate poverty and/or are exposed to deep-rooted conflict.

We address this shortcoming and apply an entrepreneuring lens to study poverty reduction and conflict resolution from the perspective of ‘ordinary’ entrepreneurs. We conceptualize ordinary entrepreneurs as individuals who seize and enact opportunities for entrepreneurial activities created by others. Such opportunities can be created by institutional entrepreneurs, e.g., by policy makers who introduce enabling frameworks that foster entrepreneurship, and/or by traditional business entrepreneurs who provide an entrepreneurial infrastructure and enable others to participate in a newly created ‘entrepreneurial value chain’. The ordinary entrepreneurs we refer to in this study are the rural dwellers that engage in entrepreneurial activities in Rwanda’s specialty coffee sector.

While the extant literature on entrepreneuring is insightful, it is largely conceptual (for an exception, see Mair et al.’s (2012) typology of social entrepreneuring models of organizations). More empirical work on entrepreneuring, however, is urgently needed to disentangle the web of “interrelated intangibles” (Venkataraman, 2004; 154) that collectively constitute the transformative potential of entrepreneurship: as access to location-specific opportunities, ideas exchanges and so on. Implied in this is a need to better understand locally embedded social interactions, perceptions, and behaviors.

The starting point for this paper are the activities and experiences of ordinary entrepreneurs that make up the everyday reality and hands-on practice of entrepreneuring (Johannisson,

2011) in a context characterized by entrenched poverty and conflict. The objective of this paper is to situate the entrepreneurial process within its social, cultural and political context and reflect on it from the perspective of ordinary entrepreneurs. In so doing, we aim to start unpacking the transformative mechanisms that entrepreneuring involves.

In the next section we review literatures relevant to examine entrepreneuring with a special focus on poverty reduction and conflict resolution. Then we introduce the research context for this study: Rwanda's specialty coffee sector. Section five outlines the research methodology used in this study, and the results of our statistical analyses are presented in section six. This is followed by a discussion of our contribution to theory-building, policy, and practice, alongside an exploration of research limitations and suggestions for further research. Section eight concludes.

3. Theoretical background

The goal of this study is to shed light on the motor of transformative entrepreneuring, as a location-specific process of value creation in settings marked by a persistent combination of poverty and conflict¹. To generate theory on how the transformative potential of entrepreneuring plays out in the lives of people on the ground, locally and contextually meaningful variables and their relationships have to be identified and explored.

In this section, we review extant theory in order to identify and relate the constructs we empirically interrogate in this study. As we will illustrate in detail in the section that follows after, linkages between these variables and the resulting mechanisms are particularly pertinent to rural Rwanda, the setting for our study.

¹ Conflict is not easy to define since an absence of violence does not equal peace (IFC, 2009). Conflict-affected environments are those regions with a high risk of violence erupting in the future, being currently in a state of violent conflict, or having recently emerged from conflict (Curtis et al., 2010).

3.1 Poverty Reduction and Entrepreneurship

Entrepreneurship is widely seen as an important driver of economic development (Acs et al., 2009; Holcombe, 1998). Previous literature advocating for a link between entrepreneurship and development has predominately examined this relationship at the level of country or regions and has paid scant attention to local and community levels. While entrepreneurship has been considered as a key ingredient of strategies for escaping from desperate poverty (Powell, 2008), relatively little empirical attention has been devoted to the specific mechanisms that make entrepreneurship a tool for alleviating poverty. Recent empirical studies (often associated with research in social entrepreneurship) have started to unpack some of these underlying dynamics and have shown how entrepreneurship affects and is affected by community structures (Peredo and Chrisman, 2006) and can alter local institutional arrangements which in turn can spur economic development (Khavul et al, 2013; Mair et al , 2012; Marti et al, 2013). We complement this research and expand the scope of actors involved in entrepreneurship as a process, focusing on ‘ordinary’ entrepreneurial actors and on the effect entrepreneurship has on their economic and social lives.

Our approach to assess the dynamics of poverty reduction from the perspective of individuals exposed to poverty builds on the work of Amartya Sen. With the notion of “development as freedom”, Sen (2000) issued an important reminder that a focus on narrow concepts and indicators of development, such as increase in Gross Domestic Product (GDP) or individual incomes, hinders our ability to embrace notions of development that are attentive to differences in well-being among citizens (and nations). Well-being can be captured by quality of life indicators, which enable researchers to assess an individual’s uniquely personal experience of the world (Campbell et al., 1976). The perceived quality of life of an individual

– also referred to as his or her *subjective* well-being, life satisfaction, or simply ‘happiness’² – describes a person’s overall judgment of his or her life situation and general level of satisfaction with it (Diener, 1984). Hence a combination of economic indicators such as personal wealth with quality of life indicators provides a more comprehensive understanding of social and economic development. For the purposes of this paper, using both personal wealth and quality of life assessments enables us to gain a holistic insight into the extent to which poverty has been alleviated ‘in the eyes’ of the individuals exposed to entrepreneurial processes and dynamics.

3.2 Conflict Resolution and Entrepreneurship

In the international relations literature, economic liberalism – promoting a global free market of ideas and enterprise – suggests that increasing economic wealth is a major driver for global peace (Betts, 2012). While the hegemony of economics over politics remains contested (Zakaria, 2008), economic interdependence among adversaries can be a means to promote peace in conflict-affected settings (Rosecrance, 1986), and entrepreneurship can play an important role in the process of building peace and easing conflict (Fort & Schipani, 2011; Gerson & Colletta, 2001; Williams, 2008). Preliminary evidence from Rwanda, the setting of the present study, suggests that entrepreneurship may contribute to helping resolve lingering conflict between ethnic groups (Boudreaux, 2007). Yet systematic analyses on the impact of entrepreneurship on conflict resolution, and explicitly on the antagonistic groups involved, are scarce.

At the level of individuals dwelling in conflict zones, the dynamics of intergroup relationships critically affect the potential for conflict resolution. In this study we ask how

² Economists refer to *quality of life* as proxy for the more complex construct ‘happiness’, while psychologists tend to describe this concept using the terms *subjective well-being* or *life satisfaction* (Sirgy et al., 2006).

entrepreneurship affects the relationships between the people involved in (current or past) conflict. To empirically assess the transformative potential of entrepreneurship in this regard, we invoke the psychology literature on intergroup relations (Brown & Hewstone, 2005; Mackie & Smith, 1998). This is because diverging identities and perspectives between different groups in societies are important causal factors in generating or rekindling conflict (Betts, 2012; Zakaria, 2008).

People derive part of their personal identity from their social identity (Tajfel & Turner, 1979), which affects their perceptions of others and thus determines intergroup relationships. Two constructs related to social identity are particularly relevant for studying intergroup relationships from the perspective of the individuals involved: individuals' perceptions of social trust and outgroup prejudice.

First, in conflict zones prolonged warfare erodes trust across all strata of society. For example, distrust is still high in post-genocide Rwanda today (NURC, 2008). Distrust is detrimental to economic development and nation-building for years after a conflict ends (Collier, 1995; Fort & Schipani, 2004). This is because a lack of trust increases transaction costs (Putnam, 2001) and the risk of opportunistic behavior (Pisano et al., 2007). Conversely, social trust – a person's general perception that others are trustworthy – contributes to an emotional climate of peace within communities and nations (de Rivera & Páez, 2007).

Second, social identity forms through a process of categorization: people categorize themselves into 'ingroups' – in other words, the social groups they identify with – and others into 'outgroups', different in skin color, religion or other group-related characteristics. The result of this social identification process is not only typically distrust towards outgroup members but also outgroup prejudice (Brewer & Brown, 1998). Outgroup prejudice, conceptualized as a negative emotion, belief, or behavioral intention concerning someone

who belongs to another social group (Brown, 1995), is one of the main predictors of committing mass violence in conflict areas (Alexander et al., 1999; Sternberg, 2003). This is because it determines the extent to which members of different antagonistic groups feel socially distant (Grootaert et al., 2003), and high levels of outgroup prejudice are negatively associated with conflict resolution (Cehajic et al., 2008).

Conversely, extensive evidence based on Allport's (1954) contact hypothesis suggests that under appropriate conditions such as equal status, common goals and support by relevant authorities, contact between members of different groups can reduce intergroup conflict by lowering outgroup prejudice (Pettigrew & Trope, 2006). As we lay out in the subsequent section, Rwanda's introduction of policies fostering entrepreneurship as well as the creation of an enabling entrepreneurial infrastructure accessible to all groups is representative of such conditions.

In sum, social trust and outgroup prejudice indicators enable us to empirically examine and understand how conflict resolution may unfold among antagonistic (ethnic) groups. For the purpose of this study these two intergroup relationship variables are instructive for unpacking the social and interpersonal dynamics unleashed by entrepreneurship.

3.3 Linking Poverty Reduction and Conflict Resolution

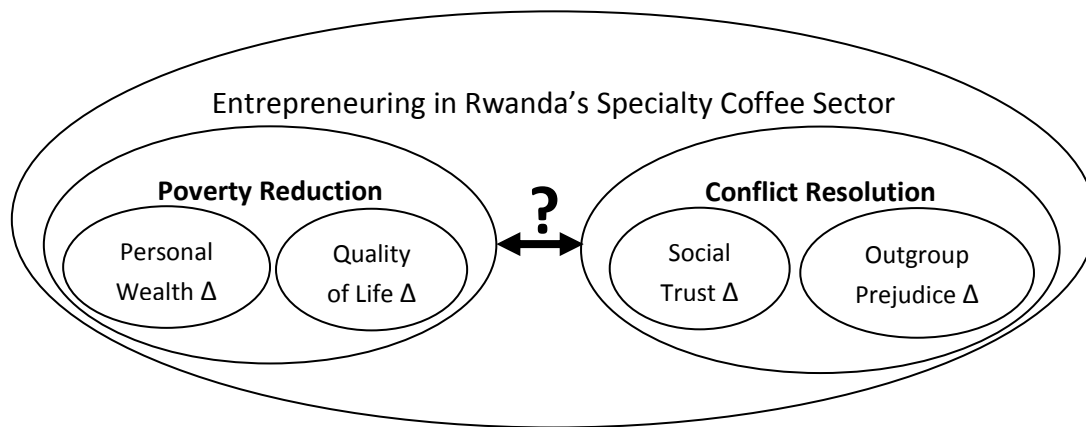
Poverty may be the root cause of protracted conflict (Oberschall, 2007) and power inequalities or relations between groups that are characterized by social or economic disparity exacerbate conflict (Kelman, 1990). This is particularly detrimental in less developed countries with persistent high levels of poverty (Alesina & La Ferrara, 2005). Poverty and inequality are two causal factors in the initiation and prolongation of conflict as people go to war over scarce resources or try to change socio-economic inequalities through violence (Collier, 2007; Staub, 2006). Reversing the probability of renewed mass conflict, in turn,

involves per capita income growth (Addison & Brück, 2009), reduced economic and social disparity (Lederach, 2008), and quality of life gains within nations (Bar-Tal, 2000).

While these findings accentuate the interrelatedness between poverty reduction and conflict resolution, we lack evidence of how this relationship plays out in the lives of individuals exposed to entrepreneurial opportunity in poverty and/or conflict zones. The present study addresses this gap and extends previous literature that has focused on studying entrepreneurial processes in contexts of desperate poverty (Bruton et al., 2011; Kistruck et al., 2011; Seelos & Mair, 2007; Webb et al., 2010) and in conflict zones (Branzei & Abdelnour, 2010; Brück et al., 2011; Demircuc-Kunt et al., 2011; Desai et al., 2013), respectively.

The diagram below summarizes and illustrates the conceptual framework guiding our empirical analysis. We argue that the transformative effect of entrepreneurship in Rwanda's specialty coffee sector is based on two constitutive mechanisms: poverty reduction and conflict resolution. A meaningful account of poverty reduction from the perspective of the individuals suffering from poverty consists in assessing any perceived changes in personal wealth and quality of life. A meaningful account of conflict resolution respectful to the experiences of the individuals exposed to conflict consists in assessing any perceived changes in social trust and outgroup prejudice. As the theoretical focus of this paper is on entrepreneuring, and more specifically on the motor of transformative entrepreneurial processes in poverty-conflict zones, we investigate if and how these two mechanisms and their constitutive components are interlinked.

Figure 1: A Model for Exploring Transformative Entrepreneurship in a Poverty-Conflict Zone



In the next section, we outline the research setting as well as the entrepreneurial climate in Rwanda that formed the impetus for this study.

4. Research context

4.1 Post-genocide Rwanda

Post-genocide Rwanda is widely seen as a textbook case for entrepreneurship as an important driver of development and economic growth, and the country's president Paul Kagame considers entrepreneurship the backbone of Rwanda's path out of poverty (Fairbanks et al., 2009). Many things have changed since the 1994 genocide where approximately 800,000 Rwandans were murdered within 100 days. Since 2001, the Rwandan government has initiated a sweeping set of entrepreneurship-friendly reforms, privatized major banks and liberalized most industries. Foreign investment has since increased dramatically, and economic growth averaged at 8% between 2006 and 2010 (World Bank, 2011). Over the same period, national poverty rates dropped by 12% (NISR, 2012).

However, what is less clear from analyzing trends and numbers at a macro level is how entrepreneurial opportunities in Rwanda are helping change how individuals perceive their own lives and their relationships with others, especially with members from other ethnic groups involved in the mass violence that culminated in the 1994 genocide. This is an important question, for several reasons. First, ethnic violence in Rwanda has been extreme. Nearly three quarters of the Rwandan population (73%) lost a close family member during the mass killings in 1994 (Pham et al., 2004). Second, while large-scale government interventions were organized in the aftermath of the genocide to improve relations between the two main ethnic groups, the Hutu and the Tutsi, the country's social fabric remains fragile. The Rwandan government agency tasked with promoting inter-ethnic reconciliation in Rwanda notes in its most recent survey report that Rwandans are cooperating but do not trust each other and that "large obstacles remain and will continue to pose challenges to community cohesion" (NURC, 2008, 6). Despite the Rwandan government's strong sanctioning against open discussion of ethnic relations in Rwanda, deep ethnic rifts remain in Rwanda's communities (Ingelaere, 2009). Finally, over 81% of Rwandans live in the countryside, which is one of the largest proportions of rural dwellers in Africa (World Bank, 2008a). About half of these live below the Rwandan national poverty line, and one in four rural Rwandans is "extremely poor" and survives on less than \$0.25 a day (NISR, 2012). Some scholars argue that the power structure in contemporary Rwanda is unequal and favors the Tutsi (Ansoms, 2008; Reyntjens, 2011; Stover & Weinstein, 2004). Despite its impressive economic progress in recent years, Rwanda may be at risk of remaining stuck in a poverty-conflict trap unless more income can be generated by more Rwandans.

4.2. Rwanda's specialty coffee sector

However, one group of Rwandans differs from the majority of rural dwellers in Rwanda: specialty coffee farmers. These farmers live in areas where the liberalization of the Rwandan

coffee sector has created opportunities for entrepreneurship. The individuals who took advantage of the liberalization of the coffee value chain (in the first instance) were traditional business entrepreneurs such as foreign investors and some local Rwandans who have built new coffee mill operations, aware of the potential to develop Bourbon coffee, a high-value variety of coffee that grows in Rwanda (Boudreaux, 2007). If Bourbon coffee is farmed and processed using value-adding infrastructure centered on coffee milling, then it can be sold as high-quality specialty coffee at consistently higher prices than the commodity coffee Rwanda typically exports (Mutandwa et al., 2009).

By making use of this newly created entrepreneurial infrastructure, entrepreneurial coffee farmers enacted these entrepreneurship-led opportunities on the ground, adding value to the process of cultivating and selling their coffee beans. Adding value to Rwanda's coffee production translates into economic gains for farmers because the price difference between specialty and commodity coffee is significant. Since the first lot of Rwandan specialty coffee was sold in 2001, the average unit price per kilo coffee increased by more than 50%, up from approximately US\$2.50 in 2003 to over US\$3.00 in 2010, while ordinary grade Rwandan coffee sold at US\$1.30 in 2005 (World Bank, 2011). As a consequence, approximately 40,000 of the 500,000 individuals working in coffee farming in Rwanda saw their incomes at least double between 2001 and 2006 (Africa Research Bulletin, 2006). More pertinently for this study even, some of these individuals seem to experience less conflict with members from other ethnic groups, *as a result of* their involvement with specialty coffee (Boudreaux, 2007). This speaks to the *transformational* role that entrepreneurial opportunity seems to have played in the lives of these individuals.

The focal point in Rwanda's new specialty coffee infrastructure are the coffee mills, or coffee washing stations, none of which existed before the coffee sector reforms started. Since the early 2000s, NGOs and International donors have helped create this infrastructure (Africa

Research Bulletin, 2006). By 2010 there were 188 washing stations in operation (World Bank, 2011). Coffee mills often serve as the locations where market linkages with international buyers are forged, physical inputs and ideas about coffee production are exchanged, and can provide extra income opportunity for nearby dwellers through seasonal employment (Boudreaux, 2007). Yet access and penetration into more remote areas of Rwanda's hilly countryside remains a challenge. Specialty coffee only accounted for 12% of all Rwandese coffee sold on the international market in 2006, and by 2010, still only about 20% of all coffee sold was specialty coffee (World Bank, 2011). To date, clearly only a fraction of rural Rwandans benefit from the entrepreneurial opportunities in specialty coffee.

5. Research methodology

Based on a pilot study in Rwanda and on our prior literature research, we developed, pilot-tested, and back-translated a field survey in Kinyarwanda, Rwanda's local language. This survey focused on rural dwellers' perceptions about their economic situation and the quality of their social relationships, and how these might have changed since their involvement with entrepreneurial opportunity in the specialty coffee trade. Our operational definition of being involved with specialty coffee was to be associated with a particular coffee mill, either by selling coffee to this washing station or by working at the station. The survey was approved by the National Institute of Statistics of Rwanda (NISR).

We subsequently statistically analyzed the survey data, focusing on path analyses in our analysis. Path analysis enables scholars to disentangle several different causative mechanisms and processes involved in specific phenomena (Lleras, 2005). Hence we chose this approach to examine the (previously unexplored) relationships between the variables in our study, in order to determine how poverty and conflict reduction mechanisms interact in response to emerging entrepreneurship in Rwanda's specialty coffee sector.

5.1 Sampling

The survey was administered in 2008 in 10 rural locations that were within walking distance of one of the approximately 100 washing stations in operation at the time in Rwanda. In line with our research interests, we focused on southern Rwanda, a province that is marked by the highest levels of poverty (NISR, 2012) and a high violence exposure during the genocide (NURC, 2008). By focusing on this area, we attempted to assess individuals' perceptions in a region where extreme poverty and lingering ethnic conflict was most likely. Information on the actual number of coffee mills in existence was conflicting (Ocir-Café, 2008) so we consulted with Partnership for Enhancing Agriculture through Linkages (PEARL), a USAID funded coffee development NGO, which had detailed information on all existing coffee washing stations owned by the 14 cooperatives and the 11 private sector firms operating in the region at the time. In consultation with PEARL, we selected a sample of 10 survey sites around 10 coffee mills.

We sampled five washing stations owned by a private investor and five owned by a cooperative. We never announced our arrival to coffee workers in advance, and informed the people we encountered that we had received permission from the authorities to carry out this research, but that we were not connected in any way to the government, and that everyone's response would be kept strictly anonymous. A small gift was offered in return for participation, as is customary in such a research setting (Staub et al., 2005).

The surveys were conducted in private, one-on-one sessions in Kinyarwanda, Rwanda's local language. Carefully trained local interviewers emphasized to the participants that honesty was more important than answering every question and that participants would be able to stop the interview at any point with impunity. Sensitive questions, such as participants' ethnicity and manipulation checks to determine whether a participant had felt able to respond honestly,

were assessed using a ‘secret ballot’ technique using pictorial symbols representing response options. This was necessary because the use of the terms “Hutu” and “Tutsi” is strongly discouraged in contemporary Rwandan discourse, because about 30% of Rwandans are illiterate (World Bank 2008b), and also because Rwandans tend to value politeness over honesty (Staub et al., 2005).

We obtained 239 usable surveys. Our participants’ ages ranged from 18 to 86 years (average age was 38 years), 51% were male. 211 participants (88%) were coffee farmers, 28 (11%) not, three quarters of whom (20 individuals) worked at a coffee mill and were aged between 18 and 26 and unmarried. The sample hence consisted mainly of coffee farmers or of those likely to become farmers in the near future. 69% in our sample classified themselves as Hutu, 25% as Tutsi. These proportions overlap reasonably well with the ethnic proportions reported in Pham et al.’s (2004) stratified cluster random survey for southern Rwanda. The ethnic identity of the eight interviewers also included Hutu, Tutsi, and Hutu/Tutsi mixed ethnicity.³

5.2 Instruments used

In line with other field research in contemporary Rwanda (Ingelaere, 2009), we assessed individuals’ **personal wealth** by asking participants how happy they were with their economic situation, on a 4-item scale. An individual’s perception of his or her **quality of life** was administered using a very slightly adapted version of Diener et al.’s (1985) life quality scale (e.g. “The conditions of my life are...”). The scale has acceptable validity and reliability (Burroughs & Rindfleisch, 2002), and has been used in a wide variety of social science settings across numerous countries (Diener et al., 1999).

³ While interviewer’s ethnicity was provided to us anonymously and we were thus unable to analyze the effect of interviewer ethnicity on responses, we are reasonably confident that this variance minimized a potential bias.

Leaning on Binder et al. (2009), we conceptualized **outgroup prejudice** as a perceived behavioral intention to relate to members of other groups. Put differently, this instrument measures an individual's perceived willingness to enter into social relationships with members of another group. We used a slightly adapted version of the intimacy items in Pettigrew & Meertens' (1995) 'blatant prejudice scale', asking participants to indicate to what extent they would be willing to consider engaging in five different behaviors related to a member of the other ethnic group (e.g. sharing a beer with an outgroup member, letting an outgroup member watch their children in their absence, or agreeing to let their daughter marry a member of the outgroup ($\alpha=.96$)).

No historic baseline data is available in Rwanda for any of these measures. In such situations, personal recall is the only option to approximate changes over time, using meaningful historic reference points for the individual person as data anchors (Ingelaere, 2009). For the five cooperative-owned coffee washing stations sampled, we asked participants to use the year that they joined the cooperative as historic baseline for their answers, and had them provide responses for both "now" as well as "before you joined the cooperative" ($M = 4.13$ years earlier, $SD = 2.09$). For the five washing stations owned privately, we used a historic baseline of "five years ago". This was because the privately owned washing mills in our sample had been generally established in the more recent past, which we deemed insufficient as a historic anchor.

Difference scores were computed to assess participants' perceptions of changes in these ratings using the relevant historic baseline measure. By way of example, 'change in quality of life' constitutes the perceived difference between "now" and "in the recent past". Positive values reflect perceived changes associated with positive *valence*, i.e. a perceived positive change for the individual.

Finally, we assessed **social trust** using a slightly adapted version of the *social trust* subscale of de Rivera's (1992) emotional climate scale ($\alpha=.63$), indicating an individual's perceptions of social trust within the community. We chose this scale because it has been extensively used in development settings to assess trust within communities (De Rivera & Páez, 2007). Here, we asked participants to indicate any perceived change concerning social trust between the recent past and 'now'. This was hence the only measure through which we asked participants to provide ratings concerning change over time directly.

5.3 Statistical Model Specifications

We applied a three-step analytical approach to answer the study's research question, by 1) assessing to what extent individuals' perceptions of poverty and conflict indicators had changed compared to their recollection of the past (using paired samples *t*-tests), 2) exploring any ethnic group differences in responses (using chi-square analyses), and 3) examining the potential mechanisms through which these individual-level perceptions are linked (through exploratory structural equation modeling path analyses).

The purpose of path analysis is to model several regression relationships simultaneously (Muthén & Muthén, 1998-2010). Path analysis is a structural model to help disentangle causation and relationships between different observed variables (Lleras, 2005), where a recursive model has uncorrelated disturbances and causal effects are unidirectional (Kline, 2011). An empirical approach to model trimming was used, where we first examined all possible paths among the relationships, and then deleted the statistically nonsignificant path coefficients, albeit keeping within the intended theoretical framework. With exploratory path modeling, it is advised to balance both inductive analyses to explore patterns of relationships in a dataset with deductive data analysis (Schutt, 2006). As such, the relationships were tested as stated, as well as other exploratory patterns (see below in section 6.4).

Model fit was assessed using the following criteria: a nonsignificant χ^2 , the comparative fit index (CFI; study criterion ≥ 0.95), the root-mean-square error of approximation (RMSEA; study criterion ≤ 0.05), and the standardized root-mean-square residual (SRMR; study criterion ≤ 0.05). Standardized regression parameters were considered significant at $p \leq .05$. All primary statistical testing was conducted in Mplus, Version 6.1 (Muthén & Muthén, 1998-2010), which employed robust maximum likelihood estimation and full information maximum likelihood estimation using all available data to account for missing data.

6. Results

6.1 Perceived changes over time

We conducted paired sample *t*-tests to determine the extent to which participants in our survey perceived changes in terms of personal wealth, quality of life, and outgroup prejudice compared to their recollection of the recent past. Results of these analyses indicated statistically significant increases in personal wealth (previous $M = 2.88$, $SD = 0.91$; current $M = 1.70$, $SD = 0.72$; $t(232) = -17.62$, $p < .001$), quality of life (previous $M = 3.13$, $SD = 0.78$; current $M = 2.12$, $SD = 0.66$; $t(233) = -16.88$, $p < .001$), and outgroup prejudice (previous $M = 1.24$, $SD = 2.02$; current $M = 3.53$, $SD = 2.12$; $t(232) = 15.04$, $p < .001$).⁴

6.2 Exploring ethnic group differences

We carried out chi-square analyses in order to detect any group differences for these effects. Results indicated that there were no significant differences between those identifying as Hutu, Tutsi, or “Other” for perceptions of current personal wealth ($\chi^2(6) = 3.13$, $p = 0.79$), past personal wealth ($\chi^2(6) = 3.14$, $p = 0.79$), current quality of life ($\chi^2(18) = 16.42$, $p = 0.56$), past quality of life ($\chi^2(18) = 12.87$, $p = 0.83$), current outgroup prejudice ($\chi^2(10) = 15.41$, $p =$

⁴ Lower values for the personal wealth and quality of life scales indicate affirmative responses, whereas lower values for outgroup prejudice indicate higher levels of outgroup prejudice.

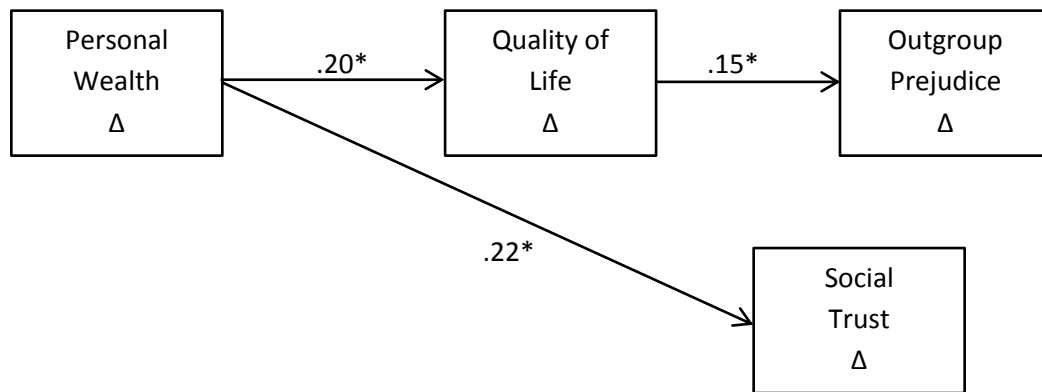
0.12), or previous outgroup prejudice ($\chi^2(10) = 6.5, p = 0.77$). With no differences across ethnic groups found, the remaining analyses were conducted on the total sample.

6.3 Path analyses

We ran several exploratory path analyses, to examine both direct and indirect effects of changes in personal wealth on changes in quality of life, outgroup prejudice, and social trust. We examined the direct effect of changes in personal wealth on changes in quality of life. In addition, we explored any direct effect of changes in personal wealth on changes in social trust and outgroup prejudice, as well as any indirect effect of change in personal wealth on social trust and intergroup prejudice, mediated by changed quality of life. A positive change in personal wealth is associated with a positive change in quality of life ($b = .20, p < .05$). Quality of life, in turn, predicts a positive change in outgroup prejudice ($b = .15, p < .05$). In addition, an increase in personal wealth also directly predicts a positive change in social trust ($b = .21, p < .05$). Of particular interest is that quality of life in our model fully mediates the effect of change in personal wealth on outgroup prejudice, but is not significantly associated with increases in social trust. The association between change in personal wealth and social trust is direct, and unrelated to quality of life.

Additionally, there were several relationships explored in the path analyses that were not statistically significant. Change in personal wealth did not predict change in outgroup prejudice ($b = .01, p > .05$), and change in quality of life was not related to change in social trust ($b = .07, p > .05$). Lastly, change in outgroup prejudice was not correlated with change in social trust ($b = .08, p > .05$). The path model below illustrates these relationships, and includes only statistically significant standardized path coefficients among the variables.

Figure 2: Path Model



*For presentation purposes, disturbances are not shown. * $P < .05$*

This model fit the data well: $\chi^2(3) = 2.63$, $p = .45$, CFI = 1.00, RMSEA < .001 (90% CI = .000-.104), SRMR = .03. The significant path coefficients indicate that the relationship between change in personal wealth and change in outgroup prejudice is fully mediated by change in quality of life (change in personal wealth predicts change in quality of life, $b = .20$, $p < .05$, and change in quality of life predicts change in outgroup prejudice, $b = .15$, $p < .05$).

Additionally, change in personal wealth directly predicts change in social trust ($b = .22$, $p < .05$). Table 1 below presents the unstandardized and standardized path coefficients and fit indices associated with the model.

Table 1

Path coefficients for path models examining the relationships between changes in personal wealth, quality of life, social trust and outgroup prejudice

Parameter	Unstandardized	Standardized
<u>Paths</u>		
<u>Change in personal wealth → change in quality of life</u>	<u>0.17 (0.06)*</u>	<u>0.20 (0.07)*</u>
<u>Change in personal wealth → change in social trust</u>	<u>0.07 (0.03)*</u>	<u>0.22 (0.08)*</u>
<u>Change in quality of life → change in outgroup prejudice</u>	<u>0.39 (0.17)*</u>	<u>0.15 (0.06)*</u>
<u>Disturbance variances</u>		
<u>Change in quality of life</u>	<u>0.81 (0.10)*</u>	<u>0.96 (0.03)*</u>
<u>Change in outgroup prejudice</u>	<u>5.40 (0.18)*</u>	<u>0.98 (0.02)*</u>
<u>Change in social trust</u>	<u>0.11 (0.02)*</u>	<u>0.95 (0.03)*</u>

Standard errors are in parentheses. * $P < .05$

6.4 Null relationships

Exploratory models reversing the direction of relationships, as well as using other social perception variables (such as perceptions about members of the coffee value chain and expectations about the future) and structural variables (on employment status at the coffee mills, or ownership type of the washing station) were examined (data not shown), with results indicating null relationships. Consequently, we suggest that the theory-based relationships in our path model indeed represent the main dynamics of individual-level indicators of poverty reduction and conflict resolution reasonably well for our sample. In addition, there were no significant differences in individuals' economic and social experiences based on the degree to which Hutu and Tutsi participants were ethnically mixed at each survey site. This null effect indicates that the reported observations were not due to any pre-existing ethnic distinctions across localities and reinforces the validity of the findings.

Finally, as mentioned above, the social trust and outgroup prejudice measures were not significantly correlated. This may be because the social fabric in post-genocide Rwanda is complex and multi-layered. Distrust is high in contemporary Rwanda (NURC, 2008), exists between as well as within ethnic groups, and is related to who survived the genocide and why (Colletta & Cullen, 2000). This, in turn, may mean that the relationship between social trust and outgroup prejudice in this setting may be more complex than theory may suggest. Follow-up explorations of relationships between different types of conflict indicators in Rwanda are essential to illuminate and extend our observations.

7. Discussion

Below, we elaborate on what the findings from this study mean for enhancing our understanding of transformative and emancipatory entrepreneurial processes in settings marked by extreme socioeconomic constraint, both concerning the realities of ordinary

entrepreneurs exposed to entrepreneurial opportunity in their daily lives, and in terms of advancing theory on entrepreneurship, and generating insights for policy and practice.

7.1 The Ordinary Entrepreneur's Perspective

From the perspective of the rural dwellers we have sampled, the results from our analyses signify the following two main realities on the ground. On the one hand, for a specialty coffee farmer earning considerably more money by being involved in specialty coffee production means she probably trusts others somewhat more, in particular the people from formerly antagonistic groups that she encounters on a daily basis while washing, sorting, and selling her coffee beans. Her experience suggests that the higher level of social trust she is likely to feel *as a consequence* of her higher income is not only beneficial for her, but also for her community and ultimately her country. This is because studies at the country level have shown that social trust spurs economic development (Bjørnskov, 2012).

On the other hand, more income is necessary but not sufficient to get such a rural dweller to see her neighbor from the other ethnic group in a less prejudiced way. Only *if* and *when* her higher income translates into higher quality of life is she likely to engage more with someone she would previously considered “them”, not “us”. This may be due to the fact that subjective well-being generates healthy social relationships, rather than merely resulting from them (Diener & Seligman, 2004).

Importantly, both ethnic groups in our specialty coffee farmer sample experienced the above effects in similar ways. This is noteworthy because special care was taken to sample a reasonably representative set of communities and elicit honest responses relating to (potentially ongoing antagonistic) relationships between ethnic groups in our sample. It is all the more significant as it is at variance with the Rwandan government's reports of a general climate of social distrust (NURC, 2008), and with scholarly voices of ongoing ethnic

discrimination against the Hutu in contemporary Rwanda by the Tutsi-dominated ruling elite (e.g. Reyntjens, 2011). Entrepreneurship critically differentiates the specialty coffee sector communities, and is an extremely salient feature in the lives of those coffee farmers of either ethnicity whose incomes have increased dramatically since they started producing specialty coffee. It suggests that entrepreneurship may have helped ease socio-economic inequality between groups, identified previously as an important correlate of poverty in predicting intergroup conflict (Collier, 2007), notably for the case of Rwanda (Verwimp, 2003).

How can entrepreneurship be the catalyst for such transformative social change? While our data does not allow us to make causal claims, we speculate that entrepreneurship in Rwanda's specialty coffee sector provides new opportunities for people to cooperate across group boundaries in pursuit of a common and purely economic goal that is not linked in any significant way to Rwanda's conflict-laden past. This may satisfy Allport's (1954) conditions for intergroup contact, enabling people to see members of a previously antagonistic group in a less prejudiced way, which in turn may lower the potential for negative perceptions and judgments that often lead to intergroup conflict (Jervis, 1988). It may also promote intergroup acceptance by reducing the cognitive salience of the boundary between rival groups (Gaertner et al., 1999). The quote at the top of this paper is suggestive of the transformative spirit that entrepreneurship in Rwanda's specialty coffee industry may have generated, enabling individuals to redefine identities based on economics, not politics.

7.2 Advancing Theory on Entrepreneurship

We advance theory on what entrepreneurship may mean in settings marked by complex economic and social constraints, such as poverty-conflict zones. In particular, we offer a theoretical framework outlining the constitutive parts that make up transformative entrepreneurship in these settings, as a first attempt to understand its application to other

contexts in urgent need of socioeconomic development, such as communities facing natural resource degradation or gender discrimination. We define this theoretical framework as a location-contingent process of economic as well as social value creation through intentional and/or unintentional mechanisms involving a diverse set of entrepreneurial actors (such as business, social, institutional and/or ordinary entrepreneurs). This perspective extends Venkataraman's (2004) notion of transformative entrepreneurship to include the social value generation element emphasized by social entrepreneurship (Mair & Marti, 2006; Mair et al., 2012; Santos, 2012), but not necessarily as an a priori intended objective.

Our conceptualization is based on the three following arguments. First, recall that Rindova et al. (2009) define entrepreneuring as the discovery and generation of change processes that can remove economic and social constraints. Transformative entrepreneurial activity as outlined by Venkataraman (2004) may be able to remove such constraints, yet critically depends on closely related and region-specific intangibles, and is furthermore rare in most developing nations. In this study of the mechanism through which the transformative potential of entrepreneurship has been unleashed in Rwanda's specialty coffee sector, we associate conflict reduction with the process of creating social value while we equate poverty reduction with creating economic value, and show how these processes are sequentially interrelated. Hence we suggest that entrepreneurial processes capable of transforming local realities in settings marked by desperate socioeconomic constraint need to include both social and economic (value generation) elements. Our evidence in particular supports the argument that many recent reconstruction and peace-building programs failed precisely because they did not prioritize economic development (MacSweeney, 2008). Unless the specific mechanisms unleashed by entrepreneuring involve both aspects in an interdependent way, entrepreneurship in the developing world is unlikely to reach its transformative potential.

Additionally, the results from our path model suggest that social progress through entrepreneuring may be generated even if this was not an a priori articulated or intended objective of all actors involved. Our analysis of all available evidence collected during this field study suggests that economic aspirations preceded any pro-social motives on the ground. Conflict engagement initiatives were not part of the repertoire of the institutional entrepreneurs responsible for designing and building the specialty coffee infrastructure, nor was ethnic reconciliation a stated objective of the Rwandan government's efforts to liberalize its coffee sector. Yet we conclude that social value has indeed been generated in our sample, notably once individuals' quality of life had increased. For this reason, we question the necessity of an explicit declaration of a "change-creating intent of the entrepreneuring individuals" (Rindova et al., 2009, 484). In fact, in entrenched poverty-conflict zones some may view explicitly 'social' transformation projects with more suspicion than those with less palpable 'political' motives. This also relates to our third argument below.

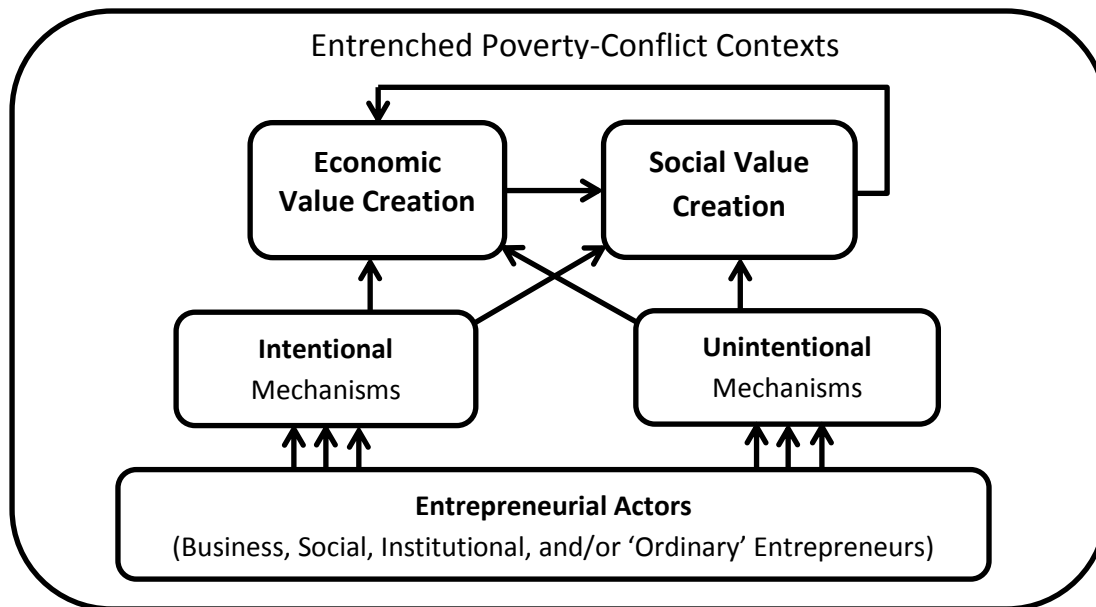
Finally, by bringing into this study an examination of conflict indicators, we follow in the footsteps of Johannisson (2011) who called for a "liberation" of entrepreneuring research from an exclusive economic focus. We add to this call by arguing that entrepreneurship research examining social change and social value creation should include a 'liberation' of sorts from focusing on the most visible and/or charismatic social entrepreneurs. Our study demonstrates that conflict resolution may constitute an integral component in the process of emancipating a variety of individuals and groups from existing constraints through entrepreneurship in desperate poverty conditions. Conflict reduction between individuals and groups in an entrepreneurial community may be but one of the variety of social outcomes prompted by entrepreneuring. Transformative entrepreneuring in entrenched poverty zones such as in the setting for our study (but also in other contexts in urgent need of social progress) can have a broader, more systemic impact – one that includes a range of

stakeholders, beyond entrepreneurs themselves. As suggested by Wilson & Wilson (2006), “to see the poor only as potential customers misses half the story”.

It may in fact be essential to widen our research lens of entrepreneurial actors when assessing the social impact of entrepreneurship, for two reasons. First of all, business and political leaders cannot transform societies by themselves, and if community members are not enrolled or engaged in any meaningful way in opportunities unleashed by entrepreneurial processes, the social value generation potential of entrepreneuring may not materialize. And secondly, only by including ordinary entrepreneurial protagonists in these assessments are we able to grasp the interdependence between economic and social transformative mechanisms such as poverty and conflict reduction – these phenomena typically apply much more directly to such ordinary entrepreneurs than to the more publicly visible, ‘charismatic’ entrepreneurs.

The diagram below summarizes our theory-building efforts on entrepreneuring and illustrates our theoretical framework of transformative entrepreneuring in entrenched poverty-conflict settings. As shown in the diagram, the transformative potential of entrepreneuring in such localities consists of both intentional and unintentional mechanisms that a variety of entrepreneurial actors are engaged in. These mechanisms, in turn, contribute to both economic and social value creation. Note that based on our evidence, the interlinkage between economic and social value generation is initially triggered by economic value creation.

Figure 3: A Theoretical Framework of Transformative Entrepreneurship in Poverty-Conflict Zones



7.3 Contribution for Policy and Practice

Policy-makers and NGOs who see entrepreneurship as a tool for local development (Peredo & Chrisman, 2006) are no longer alone in focusing on commercial as well as social goals. An increasing number of corporations are interested in shared value generation (Porter & Kramer, 2011) as well as in entrepreneurial initiatives in Base of the Pyramid (BOP) contexts characterized by poverty (Kistruck et al., forthcoming; London & Hart, 2004; Seelos & Mair, 2007). The insights from this study on designing entrepreneurship-led programs to generate both economic and social value are therefore relevant for the private as well as the public sector.

First, attention must be paid to local dynamics between individuals and groups when targeting social value generation alongside economic value generation in extreme settings. Our study suggests that micro-level social progress is critical and at the same time related to

economic micro-level factors in specific ways. In particular, our findings suggest that individuals' quality of life within communities may be the critical link in fostering the two-fold goal of profound economic and social change promotion through entrepreneurship. Consequently, it may be helpful to consider the extent to which entrepreneurial initiatives may provide scope to specifically enhance this important aspect of economic wealth creation. This issue may become all the more important as a conflict zone moves out of extreme poverty, due to the diminishing correlation between economic wealth and quality of life as nations develop economically (Clark et al., 2008; Easterlin et al., 2010).

Second, our findings highlight the need to provide equal access to entrepreneurial opportunity in contexts of poverty exacerbated by deeply rooted conflict. Entrepreneurship in our study acts as a springboard for equal opportunity between Hutu and Tutsi. Although (or perhaps because) the entrepreneurial opportunity is purely economic in nature, it may transcend existing asymmetric power relationships, a critical predictor of conflict (Kelman, 1990). The instance of transformative entrepreneurship studied here seems to have the potential to surpass historic and/or social distinctions. It may be a unique opportunity to “balance growth with equity” (Duflo, 2011), by maximizing all members of society's participation in trade and commerce.

7.4 Limitations and Suggestions for Further Research

Some may consider Rwanda to be an extreme case study, unrelated to the realities of many other societies. However, the interpersonal and intergroup dynamics discussed here are neither particularly distinctive of Rwandan culture nor at odds with the general literatures on international relations, poverty and conflict reduction. The main contribution of this paper is to bring together these literatures with the theory on entrepreneurship to stimulate debate and encourage follow-up research on what exactly the transformative potential of

entrepreneurship consists of in different settings marked by persistent socioeconomic constraint.

We see particular potential in following up this study within Rwanda and beyond, for example in more remote areas and by including comparisons with other industries in Rwanda and elsewhere. This will be instrumental in exploring the boundaries and conditionalities of the effect reported here in settings of less extreme poverty, or in local contexts that differ in other ways from that of the present study. For instance, the promotion of entrepreneurship is a particularly important focus for the Rwandan government. It could prove informative for policy and practice to examine how the mechanisms we discuss here apply in settings where actors beyond the local government promote entrepreneurship, for example NGOs or the development assistance community, such as in Afghanistan.

Comparative studies on entrepreneurship in other conflict zones with asymmetric power relations would also be valuable (such as in the Israeli/Palestinian conflict), on the conditions under which outcomes may differ for ‘intentional’ social entrepreneurs engaged in directly changing entrenched socioeconomic problems compared to those engaged in entrepreneuring not addressing social issues first and foremost, or in other post-conflict regions where peace resulted from one group defeating the other (such as Sri Lanka).

Furthermore, the ordinary entrepreneurial actors studied here are the new members of the specialty coffee value chain: the coffee farmers. To assess additional transformative processes involved in entrepreneuring in differing contexts where entrepreneurship has the potential to trigger transformative processes, insights can be gained from studying direct recruits of entrepreneurs, their families, or other community members.

Methodologically, there is also considerable opportunity for follow-up research. The analyses in this study are based on cross-sectional data where the transformative impact of

entrepreneurship was approximated using self-reported recollections of historic attitudes and behavior. The study lacks a random sampling approach and control groups, and it is therefore difficult to derive generalizable conclusions. Future research using quasi-experimental studies and/or larger data-sets collected using longitudinal research designs would be invaluable in enriching our insights into the dynamics investigated here.

Statistically, there are limitations regarding conclusions about relationships when using non-experimental survey data, and other unmeasured variables may have artificially created the relationships reported here (Schutt, 2006). Additionally, path analysis as a single-item technique assumes there is no measurement error for independent and mediating variables, indicating lack of reliability along with unmeasured causes of the dependent variable (Kline, 2011). Therefore, future research should expand on the measurement models used here, include other context-specific variables in the analysis, followed by a more confirmatory approach to assess a structural regression model.

8. Conclusion

In this paper, we have carved out a unique perspective of research on entrepreneurship and social change, by bringing to life the concept of transformative entrepreneurship in an entrenched poverty-conflict setting. Our protagonists, ‘ordinary’ entrepreneurs exploiting opportunities in rural Rwanda’s specialty coffee industry, become – intentionally or unintentionally – change agents of their own lives and in their own communities. This new insight warrants follow-up research because of its potential contribution to theory and practice as well as policy-making in other extremely resource-constrained localities such as those marked by a combination of persistent poverty and conflict, where other options for more conventional private sector and social development initiatives are scarce. Indeed, a greater understanding of transformative entrepreneurship in desperate poverty zones may

enable us to find new ways to break down the interrelated conditions that facilitate chronic deprivation in many developing regions in the first place. It is our hope that this will help enhance people's prospects for prosperity as well as peace.

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Tobias, Jutta

2013-11-01T00:00:00Z

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Jutta M. Tobias, Johanna Mair, Celestina Barbosa-Leiker, Toward a theory of transformative entrepreneuring: Poverty reduction and conflict resolution in Rwanda's entrepreneurial coffee sector, Journal of Business Venturing, Volume 28, Issue 6, November 2013, Pages 728–742
<http://dx.doi.org/10.1016/j.jbusvent.2013.03.003>

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